

MONTHLY REVENUE REPORT

June 2007

The revenue generated from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.6 billion in June, which was down 3.7% from last year's level. An increase in income tax revenue was more than offset by declines in the revenue generated by the sales, use, and single business taxes. The drop in tax collections in June was largely due to a noneconomic factor that shifted the timing of certain tax collections from June to July. While a decrease in June tax collections was anticipated, tax collections actually came in stronger than had been expected, as an even steeper decline in June had been estimated. So far in FY 2006-07, tax collections are trailing the year-ago level by 1.5%; however, at this point in time tax collections are basically on target with the May 2007 consensus revenue estimate.

Income tax collections (gross collections less refunds) totaled \$657.4 million in June, which was up 5.5% from last year's level. Based on a three-month moving average, which helps smooth out monthly volatility caused by noneconomic factors, net income tax collections have increased in nine of the past 12 months. In fact, income tax collections were the bright spot among the major taxes in June, as they have been for most of FY 2006-07. Gross income tax collections were up 4.5% in June, as all three types of collections (withholding, quarterly, and annual payments) increased in June. While employment continues to be down from year-ago levels, earnings per worker have been increasing. Net income tax collections also were helped in June by a 9.0% decline in the amount of income tax payments that were refunded to taxpayers. So far in FY 2006-07, net income tax revenue is up 3.5%.

Sales tax revenue totaled \$545.2 million in June, which was down 7.2% from last year's level. This decline reflects both economic and no-economic factors. Both consumers and businesses are being more cautious in their spending decisions given the current weakness in Michigan's economy and the uncertainty about the future path of the economy. In addition, sales tax collections were reduced in June due to the fact that June ended on a weekend. This caused some sales tax revenue that would have otherwise been collected in June to spill over into July. Sales tax collections from motor vehicle transactions were up 1.5% in June, but the revenue generated from all other taxable retail sales was down 8.3%. On a fiscal year-to-date basis, sales tax receipts are down 3.0%.

Single business tax revenue declined 5.8% to \$100.4 million in June. Using a three-month moving average, the decline in June marked the 10th time in the past 12 months that these business tax receipts have fallen below their year-ago level. So far in FY 2006-07, single business tax revenue is trailing the year-ago level by 9.4%.

The income, sales, and single business taxes accounted for over 80.0% of the revenue collected from the General Fund and School Aid Fund earmarked taxes in June. Among the other taxes, the only taxes that posted an increase in June were the State education tax, up 5.8%, and the casino gaming tax, up 2.3%. Taxes that declined in June included the use tax, down 21.3%; tobacco tax, down 3.5%; real estate transfer tax, down 14.3%; and the oil and gas severance tax, down 25.8%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for June 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



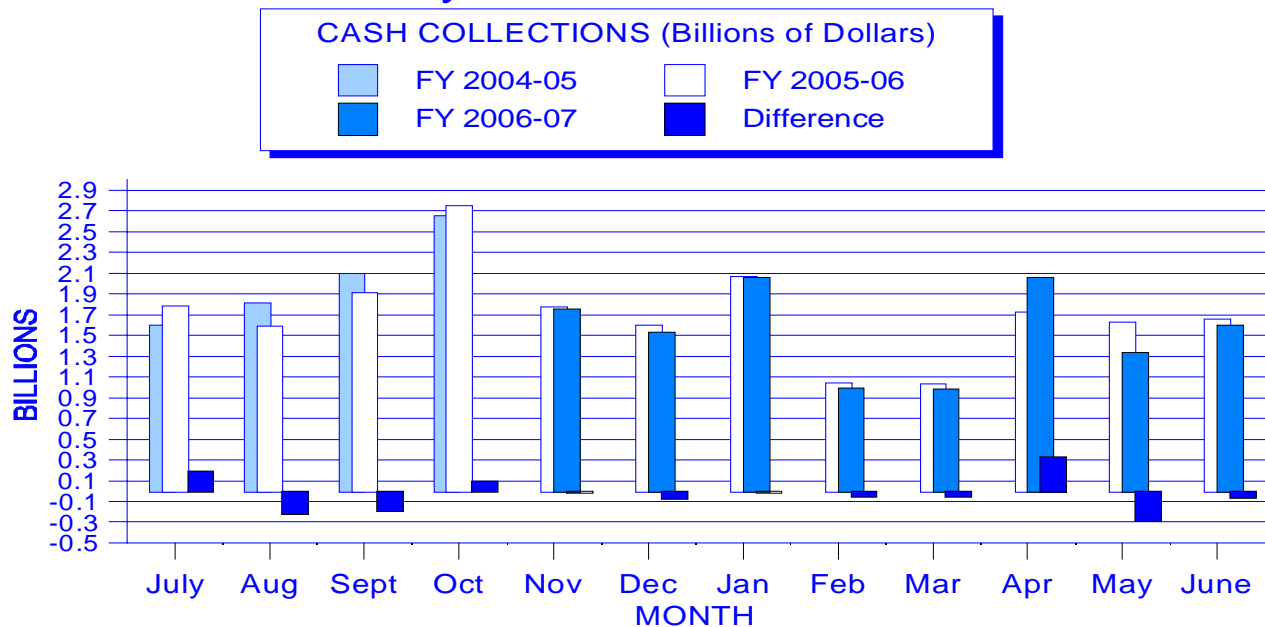
Jay Wortley, Senior Economist

MICHIGAN REVENUE UPDATE
JUNE 2007
(dollars in millions)

Type of Revenue	June Collections		FY 2006-07 to Date ²⁾		FY 2006-07 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2005-06
Gross Income Tax	\$701.1	4.5%	\$ 5,681.3	3.5%	\$ 8,037.8	2.4%
Refunds	(43.7)	(9.0)	(1,595.8)	3.5	(1,700.7)	4.6
Net Income Tax	\$657.4	5.5%	\$ 4,085.5	3.5%	\$ 6,337.1	1.8%
Sales Tax	545.2	(7.2)	4,247.6	(3.0)	6,562.3	(1.1)
Motor Vehicles	67.3	1.5	468.3	3.4	---	---
All Other Sales Tax	477.9	(8.3)	3,779.3	(3.7)	---	---
Use Tax	98.1	(21.3)	888.0	(3.1)	1,394.5	1.4
Tobacco Taxes	100.8	(3.5)	733.9	(2.9)	1,137.0	(2.7)
Single Business Tax	100.4	(5.8)	1,127.6	(9.4)	1,810.3	(1.7)
Insurance Tax	0.5	(58.3)	132.6	(4.9)	216.0	(1.6)
State Education Property Tax	34.9	5.8	501.7	9.7	2,069.1	3.3
Real Estate Transfer Tax	19.1	(14.3)	154.2	(24.2)	226.2	(24.0)
Casino Wagering Tax ⁴⁾	13.2	2.3	121.5	4.9	163.0	4.8
Oil & Gas Severance Tax	4.9	(25.8)	42.6	(30.5)	62.0	(23.9)
Other Taxes ⁵⁾	21.1	(37.3)	248.4	(2.5)	457.2	2.5
Total	\$1,595.6	(3.7)%	\$12,283.6	(1.5)%	\$20,434.7	(0.1)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$218.1	9.5%	1,776.3	4.2%	\$2,290.3	3.6%
Net to School Aid Fund ⁴⁾	\$ 64.5	2.2%	565.0	6.2%	\$ 710.0	3.2%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the May 18, 2007, Consensus Revenue Estimating Conference.
4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.
5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
July 2005 to June 2007



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.